



## SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-470, OMB Control No. 3235-0529]

### Proposed Collection; Comment Request; Extension: Rule 17f-7

Upon Written Request, Copies Available From

Securities and Exchange Commission

Office of FOIA Services

100 F Street, NE

Washington, DC 20549-2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 – 3521) (“Paperwork Reduction Act”), the Securities and Exchange Commission (the “Commission”) is soliciting comments on the collections of information summarized below. The Commission plans to submit these existing collections of information to the Office of Management and Budget (“OMB”) for extension and approval.

Rule 17f-7 (17 CFR 270.17f-7) permits a fund under certain conditions to maintain its foreign assets with an eligible securities depository, which has to meet minimum standards for a depository. The fund or its investment adviser generally determines whether the depository complies with those requirements based on information provided by the fund’s primary custodian (a bank that acts as global custodian). The depository custody arrangement also must meet certain conditions. The fund or its adviser must receive from the primary custodian (or its agent) an initial risk analysis of the depository arrangements, and the fund’s contract with its primary custodian must state that the custodian will monitor risks and promptly notify the fund or its adviser of material changes in risks. The primary custodian and other custodians also are required to agree to exercise at least reasonable care, prudence, and diligence.

The collection of information requirements in rule 17f-7 are intended to provide workable standards that protect funds from the risks of using foreign securities depositories while

assigning appropriate responsibilities to the fund's primary custodian and investment adviser based on their capabilities. The requirement that the foreign securities depository meet specified minimum standards is intended to ensure that the depository is subject to basic safeguards deemed appropriate for all depositories. The requirement that the fund or its adviser must receive from the primary custodian (or its agent) an initial risk analysis of the depository arrangements, and that the fund's contract with its primary custodian must state that the custodian will monitor risks and promptly notify the fund or its adviser of material changes in risks, is intended to provide essential information about custody risks to the fund's investment adviser as necessary for it to approve the continued use of the depository. The requirement that the primary custodian agree to exercise reasonable care is intended to provide assurances that its services and the information it provides will meet an appropriate standard of care.

The staff estimates that each of approximately 1,445 investment advisers<sup>1</sup> will make an average of 8 responses annually under the rule to address depository compliance with minimum requirements, any indemnification or insurance arrangements, and reviews of risk analyses or notifications.<sup>2</sup> The staff estimates each response will take 6 hours, requiring a total of approximately 48 hours for each adviser.<sup>3</sup> Thus the total annual burden associated with these requirements of the rule is approximately 69,360.<sup>4</sup>

In addition, based on public filings made with the Commission, we estimate that there are approximately 38 global custodians that are engaged to perform global custodial services to

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<sup>1</sup> From a review of the Form ADV filings and Form N-CEN filings, respectively, as of December 31, 2021 and for filings received through August 31, 2022, Commission staff estimated that 1,445 registered investment advisers managed or sponsored open-end registered funds (including exchange-traded funds) and closed-end registered funds.

<sup>2</sup> 1,445 advisers x 8 responses = 11,560 responses.

<sup>3</sup> 8 responses per adviser x 6 hours per response = 48 hours per adviser.

<sup>4</sup> 1,445 advisers x 48 hours per adviser = 69,360 hours.

funds and thus subject to the provisions of rule 17f-7.<sup>5</sup> This estimate is based on information that is publicly available on Form N-CEN filings.<sup>6</sup> The staff further estimates that during each year, each of approximately 38 global custodians will make an average of 4 responses to analyze custody risks and provide notice of any material changes to custody risk under the rule.<sup>7</sup> The staff estimates that each response will take 260 hours, requiring approximately 1,040 hours annually per global custodian.<sup>8</sup> Thus the total annual burden associated with this specific aspect of the rule is approximately 39,520 hours.<sup>9</sup> The staff estimates that the total annual hour burden associated with all collection of information requirements of the rule is therefore 108,880 hours.<sup>10</sup>

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. Compliance with the collection of information requirements of the rule is necessary to obtain the benefit of relying on the rule's permission for funds to maintain their assets in foreign custodians. The information provided under rule 17f-7 will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimate of the

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<sup>5</sup> We analyzed Form N-CEN filings for registrants as of December 31, 2021 and based on these filings, we estimated the number of global custodians that have been retained by funds and are subject to the provisions of rule 17f-7 to be 38.

<sup>6</sup> See Item C.12.a.vii.7 of Form N-CEN.

<sup>7</sup> 38 custodians x 4 responses = 152 responses.

<sup>8</sup> 260 hours per response x 4 responses per global custodian = 1,040 hours per global custodian.

<sup>9</sup> 38 global custodians x 1,040 hours per global custodian = 39,520 hours.

<sup>10</sup> 69,360 hours + 39,520 hours = 108,880 hours.

burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street, NE Washington, DC 20549 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov) .

Dated: December 7, 2022.

**Sherry R. Haywood,**

*Assistant Secretary.*

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